

**APA Special Report January 2004**  
**Preliminary Action Plan**  
*For the ITIB February 4, 2004 Meeting*

**Recommendation 1—Board Process**

1.1 The Board should work with the Chief Information Officer to explain its expectations on the consideration and deliberation of policy matters.

Primary Responsibility: Board

Status: CIO has been selected and reports on February 1, 2004

Related Issues: None

Anticipated Completion Date: \_\_\_\_\_

1.2 The Board and the CIO should also establish how and when the individual Board committees will receive and consider information and how the Board committees will report to the full Board.

Primary Responsibility: Board

Status: CIO has been selected and reports on February 1, 2004

Related Issues: None

Anticipated Completion Date: \_\_\_\_\_

1.3 Additionally, the Board should establish a mechanism whereby Board members may participate in developing meeting agendas along with governing rules that provide sufficient information and time to consider any proposals and recommendations.

Primary Responsibility: Board

Status: CIO has been selected and reports on February 1, 2004

Related Issues: None

Anticipated Completion Date: \_\_\_\_\_

## **Recommendation 2—Board/Business Plan**

By the Board using VITA's business plan as its initial tool, we believe the Board can strike a balance between exercising its supervisory duties and overseeing VITA without becoming overly involved in VITA's daily operations.

2.1 Prior to adopting the business plan, the Board should require VITA management to address the findings in this report and develop some of the policies and procedures that will affect operations, such as the guidelines for considering privatization proposals.

Primary Responsibility: Board

Status: At its January 29, 2004 meeting, the Finance Committee directed VITA management to address the findings in this report and develop some of the policies and procedures.

Related Issues: None

Anticipated Completion Date: January 29, 2004

2.2 VITA management should also provide the Board a summary of its performance compared to the business plan and, at least twice a year, indicate issues or matters that the Board should consider adopting within the business plan.

Primary Responsibility: CIO

Status: The CIO will provide a summary of performance compared to the business plan, upon its completion, and indicate issues or matters that the Board should consider for adoption at least twice a year.

Related Issues: None

Anticipated Completion Date: Upon completion of business plan, quarterly updates will be provided to the Board via the Quarterly Status Report.

2.3 Finally, the Board and management should develop a regular cycle to review and update the business plan on a more permanent basis, such as once every three to five years.

Primary Responsibility: Board

Status: The Finance Committee, in concert with VITA management, will develop a cycle to review and update the business plan.

Related Issues: None

Anticipated Completion Date: Upon completion of business plan

2.4 Further, we recommend that the Board should not approve VITA to accelerate the consolidation of any large agencies until they have a business plan, policies and procedures, and have adequately addressed the findings in this report. The purpose of the incremental consolidation of agencies into VITA was to give VITA the time required to build their controls and systems and test them on the small, then medium and finally large agencies. There was a recognized risk of failure from implementing the large agencies before processes, controls, and underlying systems were in place.

Primary Responsibility: Board

Status: At its January 2004 meeting, the Board passed a motion unanimously to approve the consolidation of VDOT as soon as VITA meets the conditions imposed by JLARC when it approved interim rates at its December 2003 meeting.

Related Issues: As a final step to meeting these conditions, APA must audit and certify the modifications now being applied to the VITA billing system.

Anticipated Completion Date: The earliest date for VDOT's consolidation is April 2004.

2.5 Finally, the Board needs to consider and incorporate into the business plan some long term goals and objectives concerning technology in the Commonwealth. This last consideration should elicit the advice and opinions of state agencies and institutions, the Administration, Legislature and public concerning what systems and technologies would best serve the Commonwealth.

Primary Responsibility: Board and CIO

Status: Finance Committee Chairman Scott Pattison will recommend that a Board retreat be held as the Board's April or May meeting to develop long-term goals, with VITA staff providing background papers on various issues for discussion.

Related Issues: None

Anticipated Completion Date: May-June 2004

### **Recommendation 3—VITA/Business Plan**

VITA's business plan documents are insufficient and do not meet best practices. However, for VITA to complete a business plan for all operations is neither practical nor feasible at this point. Continuing to operate without a usable business plan is also neither practical nor feasible.

Since the legacy operations have existing policies and procedures, we would recommend that VITA's senior management and the CIO complete a business plan for all of the new services.

Overall Status: VITA incorporated currently available information, as described in the APA report, into a draft business plan. Additional information described below will be included as it is developed.

This business plan should incorporate the following items for the new services:

#### **3.1 A market comparison;**

Primary Responsibility: Financial Management Services

Status: VITA has addressed marketplace issues and incorporated them into its draft business plan. In addition, CNJohnson and Associates, a consulting firm hired by VITA to consult on VITA's rate methodology and to develop a benchmark report, developed a market comparison in October 2003. That report compared VITA's new service offerings and associated rates to other states and private companies.

Related Issues: A more detailed benchmarking analysis would cost up to \$200,000 and involve significant staff time to complete.

Anticipated Completion Date: Complete

#### **3.2 A customer analysis that identifies VITA's customer needs;**

Primary Responsibility: Financial Management Services and Customer Support Services

Status: VITA will begin meetings with each agency within the next two weeks to discuss customer issues related to finance and service offerings. A significant resource in these discussions will be the agencies' IT Strategic Plans submitted to the CIO last spring, including listings of projected major and non-major projects and procurements for the coming biennium. VITA has already gathered significant customer information at its recently held agency workshops; including customer preferences for equipment replenish cycles and needs for support of unique types of equipment and services. VITA has already identified new enterprise needs of its customers that are undergoing review and may be offered in the near future.

Related Issues: VITA needs to show where agencies are getting additional IT support from VITA compared to pre-VITA and share that information with our stakeholders. Also, VITA will prepare a summary report by agency that details issues raised and topics discussed in each meeting.

Anticipated Completion Date: March 2004

3.3 A pricing strategy that includes a description of VITA's new service rates and how they are calculated;

Primary Responsibility: Financial Management Services

Status: Prices for new services offered by VITA are in place including definitions of what is included in each rate category and how rates are calculated; the January 2004 Quarterly Operating Plan includes this information. Further, VITA's pricing strategy is based upon providing "the lowest cost, most efficient and most cost effective IT products and services, or access to them, in a timely manner." The consultant's report discussed above under "Market comparison" compares our pricing strategy with other states and private firms. We are currently preparing an agency impact analysis, also discussed above under "Customer analysis," that will provide evidence on whether our market will accept our price.

Related Issues: None

Anticipated Completion Date: June 2004

3.4 A description of operations that outlines the scope of VITA's operations, how it will deliver their service, and what services VITA plans to perform in-house versus outsourcing;

Primary Responsibility: Board and CIO

Status: During the coming months, VITA will review opportunities related to what it will do in-house and what it will purchase, with the guidance of the IT Investment Board. Many services, though, as already pointed out in the APA report, will not be considered for outsourcing until other issues are addressed, including VITA's layoff policy and the true cost of providing current services. Our relationship with vendors, suppliers, partners and associates will be further refined as VITA transitions agencies and consolidates IT procurement across the Commonwealth. Staff will be transitioned, trained and hired to meet customer needs. A plan for validation of all staff positions mapped to VITA is complete and will be undertaken prior to agency transition to VITA. Near-term cost take out initiatives in the course of consolidation will be explicitly laid out in the business plan. VITA will modify the original transition plan that envisioned all IT activities moving to VITA to reflect only IT operations activities that are under the current scope of the agency.

Related Issues: Many of the actions required in this item are dependent upon other decisions and upon consolidation of IT procurements.

Anticipated Completion Date: \_\_\_\_\_

3.5 A development strategy that describes what work remains to complete and implement VITA's new services, i.e. what are all of the steps that VITA needs to accomplish to get the new services up and running; and,

Primary Responsibility: Strategic Change Office

Status: Much work remains to be done to complete the transition to VITA and then transform VITA's operations into a world class IT organization. VITA has learned from best practices that it is critical to "transition first, transform second" and is working to that end. Senior management completed a review on January 15, 2004 of what has to be completed within the next six months and is in the process of developing a timeline to complete those actions. They are categorized into the following Activity Areas:

- Consolidation
- Systems
- Enterprise Value
- Human Services
- Finance
- Integration Management
- Process and Policy Integration
- APA Requirements

Related Issues: Consulting services will likely be required to address staffing requirements for the new organization.

Anticipated Completion Date: \_\_\_\_\_

3.6 A financial section that includes new services and consists of well-constructed financial information including cash flow projections, a discussion of financial assumptions and funding requirements

Primary Responsibility: Financial Management Services

Financial Management Services is developing its budget process for FY05 – 07 in order to present its FY05 – 07 budgets to the IT Investment Board at its June 2004 meeting. FMS is also preparing an interim FY04 financial update that will be complete by the end of February 2004. This interim update will address concerns voiced by JLARC and APA in its review of VITA's FY04 – FY06 financial statements.

Related Issues: Consulting support will likely be required to assist VITA staff in completing cash flow projections.

Anticipated Completion Date: February and June 2004

#### **Recommendation 4—Billing System**

4.1 VITA's senior management needs to complete the development of a billing system and ensure that the system can appropriately account for the equipment and saving credits required by the JLARC approval of the rates.

Primary Responsibility: Business Systems Services and Financial Management Services

Status: Development of the interim billing system is underway with a target completion date of March 5, 2004. APA audit and certification of the system is required by JLARC in its conditional approval of interim rates. VITA has a project team working on system development in close coordination with APA staff and is on schedule for completion of basic processing capability. The initial process will utilize data as provided by agencies, with enhanced edits, data cleansing, documentation and procedures being provided in Phase II.

Related Issues: The requirement for the billing system to account for savings credits has been cancelled. Documentation on this issue has been presented to and accepted by JLARC. Loss of financial staff and shortage of BSS staff continues to be a critical issue. Staffing and funding is needed to initiate a project for a longer term solution of a replacement billing system.

Anticipated Completion Date: March 5, 2004

## **Recommendation 5—Other Administrative Systems**

5.1 VITA should continue to focus efforts on fixing BERT quickly so VITA will have the required information to make informed recommendations regarding funding needs to the Board and JLARC. Without this information, everyone is forced to make decisions based on data that does not contain the level of reliability and precision they need.

Primary Responsibility: Financial Management Services and Business Systems Services

Status: With the support of a DHRM Mapper expert, the budget application (BERT) has been fixed for equipment updates that are a critical component of preparing the agency's budget for non-personal costs. Personal services estimating modules remain problematic and VITA finance staff will estimate those expenses using Excel spreadsheets until a replacement application is installed. Finance staff is concurrently identifying PeopleSoft and Oracle ERP applications' budget modules that are in use at other agencies in the Commonwealth to determine if they could be used on an interim basis. VITA is also engaging contractors to make one last attempt at a short-term fix of BERT. After extensive effort, it is clear that the BERT system is not salvageable for the long-term and the effort to develop a replacement system must begin as soon as possible.

Related Issues: None

Anticipated Completion Date: The last effort by contractors to fix BERT will be complete by the end of February 2004.

5.2 VITA should also continue their effort to develop a new budgeting system based on a modern programming language that is not difficult to support. The new budgeting system should interface with VITA's accounting system to allow for monitoring of detailed budgets by managers, to use electronic triggers for overspending against a budget, and improve efficiency and reduce the likelihood of errors caused by the double keying of subsequent budget adjustments.

The new budgeting system should allow for downloading prior year transaction summaries to use in future budget development.

Primary Responsibility: Financial Management Services and Business Systems Services

Status: VITA will develop the project charter and identify staffing and funding sources for a replacement system. Using documented business requirements, BSS will determine an approach for using an ERP (i.e. Oracle, PeopleSoft, etc.), COTS software or custom software. Electronic triggers for overspending against a budget is already in place in VITA's PeopleSoft application.

Related Issues: Development resources and associated funding will be required for any new budget module. Budget staff is already working at full capacity and has limited time to invest in development of the replacement system.

Anticipated Completion Date: Replacement budget applications that meet VITA's budgeting requirements will be identified by mid-April 2004; a completion date for installation will be developed once additional information is known.



5.3 Further, it should interface with the Asset Management System to allow for the budgeting of equipment refreshing, license renewal, and equipment maintenance expenses.

Primary Responsibility: Strategic Change Office

Status: With the support of a DHRM Mapper expert, the budget application (BERT) has been fixed for equipment updates that are a critical component of preparing the agency's budget for non-personal costs. VITA has begun an effort to develop an asset management system that will feed asset information to multiple users, including Finance for billing and budgeting purposes.

Related Issues: Development resources and associated funding will be required for an asset management system.

Anticipated Completion Date: \_\_\_\_\_

5.4 An interface with the payroll system is also necessary in order to obtain detailed salary and wage information by employee, billing element, and cost center.

Primary Responsibility: Financial Management Services and Business Systems Services

Status: VITA will develop the project charter and identify staffing and funding sources for a replacement budgeting system that will include this interface. Using documented business requirements, BSS will determine an approach for using an ERP (i.e. Oracle, PeopleSoft, etc.), COTS software or custom software.

Related Issues: Development resources and associated funding will be required for any new budget module. Budget staff is already working at full capacity and has limited time to invest in development of the replacement system.

Anticipated Completion Date: Replacement budget applications that meet VITA's budgeting requirements will be identified by mid-April 2004; a completion date for installation will be developed once additional information is known.

## **Recommendation 6—PPEA Criteria**

6.1 The Board should direct the CIO and VITA staff to begin developing the criteria and process for reviewing and considering proposals under the Public-Private Education Facilities and Infrastructure Act. VITA staff should show how their process compares to other existing criteria used by other boards and agencies and how any and all operating constraints are part of the consideration. Finally, the Board along with VITA staff should develop a mechanism to consider PPEA's within VITA's business plan.

Primary Responsibility: Supply Chain Management and CIO

Status: VITA will utilize the PPEA guidelines set out by the Secretary of Administration as required by the Act. The CIO will propose the process for submitting PPEA projects to the Board.

Related Issues: As part of the PPEA review process, the Board needs to understand what risks the business partner will take.

Anticipated Completion Date: \_\_\_\_\_

6.2 In addition, the Board should direct VITA staff to develop a methodology for calculating savings to fund the Virginia Technology Infrastructure Fund. After it is developed, the Board should review and approve the methodology.

Primary Responsibility: Financial Management Services

Status: See Recommendation 11.1. VITA's Business Case Procedures, Requirements and Content Policy provides the methodology to analyze business requirements, including those that result in savings or cost avoidance. This policy will be reviewed for specific application to this particular report recommendation.

Related Issues: The Virginia Code requires the methodology to be approved by the Investment Board and the Secretary of Finance.<sup>1</sup>

Anticipated Completion Date: The savings methodology will be presented to the Finance Committee for its review and approval in April 2004.

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<sup>1</sup> § 2.2-2023. Virginia Technology Infrastructure Fund created; contributions. A. The Virginia Technology Infrastructure Fund (the Fund) is created in the state treasury. The Fund is to be used to fund major information technology projects or to pay private partners as authorized in subsection B of § 2.2-2007.

B. The Fund shall consist of: (i) the transfer of general and nongeneral fund appropriations from state agencies which represent savings that accrue from reductions in the cost of information technology and communication services, (ii) the transfer of general and nongeneral fund appropriations from state agencies which represent savings from the implementation of information technology enterprise projects, (iii) funds identified pursuant to subsection B of § 2.2-2007, (iv) such general and nongeneral fund fees or surcharges as may be assessed to agencies for enterprise technology projects, (v) gifts, grants, or donations from public or private sources, and (vi) such other funds as may be appropriated by the General Assembly. Savings shall be as identified by the CIO through a methodology approved by the Board and the Secretary of Finance. The Auditor of Public Accounts shall certify the amount of any savings identified by the CIO. For public institutions of higher education, however, savings shall consist only of that portion of total savings that represent general funds. The State Comptroller is authorized to transfer cash consistent with appropriation transfers. Appropriated funds from federal sources are exempted from transfer. Except for funds to pay private partners as authorized in subsection B of § 2.2-2007, moneys in the Fund shall only be expended as provided by the appropriation act.

Interest earned on the Fund shall be credited to the Fund. The Fund shall be permanent and nonreverting. Any unexpended balance in the Fund at the end of the biennium shall not be transferred to the general fund of the state treasury.

**Recommendation 7—VITA Audit Director**

7.1 The Board should hire an Audit Director as soon as possible and require him to report directly to the Board. The Board should also be responsible for approving the audit work plan. If the organizational structure is modified as we recommend, the audit function will be able to provide the Board unbiased updates on the VITA implementation and will also be able to provide constructive feedback to VITA management concerning implementation and internal control issues.

Primary Responsibility: Human Services

Status: The Audit Director position has been defined and is ready for posting given the Board's concurrence and approval along with that of the Sec. of Technology (required by a Governor's Executive Order). A description of the scope and operations of the Audit Department in the mature VITA organization is also available.

Related Issues: Decisions need to be made by the Board regarding who will interview for the job and to what individual the position will report. It is recommended that the Board not take any action on this recommendation prior to the Board retreat proposed by Mr. Pattison (see recommendation 2.5).

Anticipated Completion Date: 60 days from posting

### **Recommendation 8—Due Diligence Data**

8.1 Since VITA will need to obtain JLARC's approval for rates by September 30, 2004, VITA management should develop a process to review and correct the "due diligence" information by March 31, 2004. While a complete detailed review is not practical, management should determine what key information is necessary to provide the most accurate rate information, which should carry VITA into and through the large agency transfers.

Primary Responsibility: Financial Management Services and Strategic Change Office

Status: Nineteen meetings have been established during the month of February to meet with every in-scope agency to discuss rates, budgets and other issues, one of which will be the need for review and update of the original due diligence data. Follow up meetings will be scheduled with each individual agency to validate estimated IT costs (using best available asset data) and budgets based on the interim rates. VITA has identified all of the asset information needed for rate setting and billing purposes and has completed the review process for all small agencies. Medium and large agency data will be updated over the coming months, although as stated in the APA recommendation, a complete detailed review may not be practical.

Related Issues: Recruitment for staff support is in process to meet APA request for asset inventory update for medium and large agencies. It is unlikely though, based on past experience, that VITA will be able to complete the correction of all due diligence information by March 31, 2004. We do expect it will be as complete as practical by the end of FY 04 (June 30, 2004) in time to complete the interim rate review required by JLARC for its approval no later than September 2004. In order to produce pro-forma financial statements addressed elsewhere in this document, VITA will use the most up-to-date asset information available at the time those statements are prepared.

Anticipated Completion Date: June 30, 2004

## **Recommendation 9—P&L Statements**

9.1 The Board should have the VITA staff provide a revised profit and loss projection, which corrects the assumptions discussed above. The Board should also have the staff begin preparing and providing the Board with monthly financial information that includes not only the internal service fund information shown in the profit and loss projection, but the entire funding of VITA. These projections and monthly financial information should show the effects of not receiving future funding.

The Board should have VITA staff modify the projections to reflect any future budget adjustments as they occur.

Primary Responsibility: Financial Management Services

Status: FMS staff is currently updating the profit and loss statement that addresses the issues raised in the APA report. It will be complete by the end of February 2004. Planning for the FY05 – FY07 budget is underway with a target date of June 2004 for Board approval. VITA staff will work with the Finance Committee chair to develop meaningful monthly financial reports.

Related Issues: As stated earlier in this document, an accurate profit and loss statement is dependent upon corrected asset data, some of which may be unavailable at the time the pro-forma profit and loss statement is developed. VITA will use the most up-to-date information available and notate where assumptions have been made in the projections based on incomplete data.

Anticipated Completion Date: February 27, 2004 and June 2004 for profit and loss statements. Proposed monthly financial reports will be developed with the Finance Committee during February.

9.2 Also, since the profit and loss projection coupled with the due diligence information will form the core data for the revised service rate requests, VITA staff should provide the Finance Committee and potentially the entire Board a briefing on VITA's financial status.

Primary Responsibility: Financial Management Services

Status: Briefings can be made to the Finance Committee, and upon its request, to the Board, after the completion of the February profit and loss update and for the June proposal.

Related Issues: None

Anticipated Completion Date: March 2004 and June 2004

**Recommendation 10—PPEA Cost Basis**

10.1 We recommend that the Board direct the CIO and VITA staff to obtain accurate and reliable financial information for use in comparing PPEA proposals to VITA's cost of providing the services in-house. VITA and the Board must implement this recommendation in conjunction with the previous recommendation concerning PPEAs. If VITA staff base their PPEA evaluations on the current data, they may accept proposals that are not financially advantageous to the Commonwealth.

Primary Responsibility: Financial Management Services and Supply Chain Management

Status: As financial information is updated and savings baselines established, this information will be used to compare PPEA proposals to in-house costs.

Related Issues: Additional resources will be required to analyze PPEA proposals against in-house costs.

Anticipated Completion Date: Based upon approval from Board to consider certain PPEA proposals

## **Recommendation 11—Cost and Savings Methodology**

11.1 VITA staff should develop a methodology to include policies and procedures to analyze costs and proposed savings before placing an initiative into development and to monitor on-going costs and savings during implementation. After developing a methodology, VITA staff should obtain approval for the methodology from the Board and the Secretary of Finance. VITA should also develop a method to monitor the true on-going savings and costs throughout the implementation of the initiative to ensure VITA realizes and captures the projected cost savings.

Primary Responsibility: Financial Management Services

Status: See Recommendation 6.2. VITA's Business Case Procedures, Requirements and Content Policy provides the methodology to analyze business requirements, including those that result in savings or cost avoidance. This policy will be reviewed for specific application to this particular report recommendation.

Related Issues: Savings initiatives already validated have documented costs prior to the initiative being undertaken and estimated savings after implementation.

Anticipated Completion Date: The savings methodology will be presented to the Finance Committee for its review and approval in April 2004.

11.2 Further, until the Board approves a methodology and VITA validates due diligence data, both the Administration and the Legislature should exercise professional skepticism of any projected savings provided by VITA before using them as a basis to reduce agencies appropriations.

Primary Responsibility: Financial Management Services

Status: Savings initiatives already validated have documented costs prior to the initiative being undertaken and estimated savings after implementation.

Related Issues: The Department of Planning and Budget historically has reduced agency appropriations for COVAnet savings. It did so again in the FY05-06 Governor's budget. That budget also reduced agency appropriations for estimated savings from VITA's cell phone savings initiatives.

Anticipated Completion Date: NA

**Recommendation 12—Staffing Costs and Methods**

12.1 In an effort to provide services to agencies at the lowest possible prices, the Board should re-evaluate the no reduction in force policy.

Primary Responsibility: Board

Status: This recommendation should be discussed as part of the Board retreat proposed by Mr. Pattison (see recommendation 2.5).

Related Issues: The Governor has established a no lay off policy for VITA. As the Commonwealth's chief personnel officer, we believe the Board would not be able to override this directive unilaterally. However, the Board could make recommendations for the Governor's consideration.

Anticipated Completion Date: \_\_\_\_\_

12.2 The Board should direct VITA to only absorb additional staff when specifically needed and also identify opportunities for staff reductions as part of their detailed business plan development.

Primary Responsibility: Board

Status: VITA has in place a process for the review of staff that is mapped to VITA prior to agency transition. Some staff originally mapped to VITA may remain at the agency if VITA has no need for particular qualifications. VITA will include staffing requirements in its Operations section of its business plan. (See recommendation 3.4 above.) This recommendation should also be discussed as part of the proposed Board retreat.

Related Issues: The cost of staff reductions on VITA's financial statements would need to be considered as part of any staff reduction plan.

Anticipated Completion Date: This requirement will be addressed within the VITA business plan.

12.3 Further, VITA should work with the Department of Human Resource Management to find alternatives to layoffs for staff VITA identifies as unnecessary. Personnel expense is one of the largest components of VITA's service rates and is controllable. VITA must be innovative in identifying alternatives to deliver services while keeping the personnel expense component as low as possible.

Primary Responsibility: Human Services

Status: VITA will work with DHRM to address staffing layoff alternatives.

Related Issues: None

Anticipated Completion Date: \_\_\_\_\_



12.4 Further, the Board should direct VITA staff to provide details of the components of their overhead and develop plans to control or reduce these costs in an effort to reduce service rates. Without knowing what makes up the overhead amounts, it is impossible for VITA or the Board to identify ways they can reduce them. VITA should closely monitor the increases in overhead and recommend actions to the Board to reduce these costs if the service revenue is insufficient.

Primary Responsibility: Financial Management Services

Status: As part of its February profit and loss statement update, VITA is updating its overhead estimates. FMS staff will develop a report that clearly identifies overhead components and related costs.

Related Issues: VITA always anticipated its overhead costs will increase as a percentage of total expenses during the initial startup of the agency.

Anticipated Completion Date: February 27, 2004

**Recommendation 13—JLARC Approved Rates**

13.1 We recommend that the Board require VITA to use only the JLARC approved rates and to refuse to grant agency exemptions.

Primary Responsibility: Financial Management Services

Status: VITA is only using JLARC approved rates and is not granting exemptions without JLARC coordination and approval.

Related Issues: JLARC staff has notified VITA that they will consider possible rate changes or establishment of new rates on a case-by-case basis.

Anticipated Completion Date: NA

13.2 Instead, VITA should work to identify ways to reduce the cost of their operations so the rates are competitive, meet the needs of the majority of Commonwealth agencies, and are not more sophisticated than necessary to get the work done efficiently. VITA should evaluate the level of computing sophistication needed by agencies and establish a computing standard. They should also study the optimum replenish cycle necessary to satisfy agency needs and determine if revising the current four year cycle is appropriate.

Primary Responsibility: Financial Management Services and Customer Support Services

Status: Meetings between agency and VITA staff are providing information for VITA to consider in determining its computing standard and to meet the needs of Commonwealth agencies. The meetings planned for February and beyond will contribute to this knowledge database. VITA is considering working with the Council on Technology Services to survey its customers on computing needs and standards to gather additional information.

Related Issues: The IT Investment Board will need to agree upon appropriate computing standards for the Commonwealth.

Anticipated Completion Date: June 2004

**Recommendation 14—Consistent Fiscal Policies and Practices**

14.1 We recommend that VITA consistently apply their policies and procedures relative to billing, equipment credits, savings credits and remediation costs once they are developed. Granting agency exceptions or inconsistent application of their policies could jeopardize Federal funds.

Primary Responsibility: Financial Management Services

Status: The equipment credit policy is complete and JLARC has given VITA approval. JLARC no longer requires a savings credit policy, based on its review of related information provided to them. The billing and remediation costs policies are nearing completion.

Related Issues: None

Anticipated Completion Date: February 2004

**Recommendation 15**

15.1 We recommend that the Board require VITA staff to vigorously pursue and resolve the repayment of VDOT for the use of their staff and resources. VDOT has limited financial resources and the Code of Virginia is very specific about the use of these funds. Inappropriate use could result in state compliance issues.

Primary Responsibility: Financial Management Services

Status: Repayment of \$434K was issued by Inter Agency Transfer to VDOT on January 4, 2004. Future expenses will be repaid monthly.

Related Issues: None

Anticipated Completion Date: Completed